



Lear Reports First Quarter 2021 Results

May 7, 2021

SOUTHFIELD, Mich., May 7, 2021 /PRNewswire/ -- Lear Corporation (NYSE: LEA), a global automotive technology leader in Seating and E-Systems, today reported results for the first quarter 2021.



First Quarter 2021 Highlights

- Sales increased 20% to \$5.4 billion, compared to \$4.5 billion in the first quarter of 2020
- Sales growth continued to outpace the market in both segments; E-Systems growth over market of 10 percentage points and Seating growth over market of 9 percentage points
- Net income of \$204 million and adjusted net income of \$226 million, compared to \$76 million and \$124 million, respectively, in the first quarter of 2020
- Core operating earnings increased 64% to \$336 million, compared to \$205 million in the first quarter of 2020
- Earnings per share of \$3.36 and adjusted earnings per share of \$3.73, compared to \$1.26 and \$2.05, respectively, in the first quarter of 2020
- Net cash provided by operating activities of \$248 million and free cash flow of \$135 million, compared to \$222 million and \$113 million, respectively, in the first quarter of 2020
- Cash and cash equivalents at quarter-end of \$1.4 billion and total available liquidity of \$3.1 billion
- Lear credit rating outlook upgraded to positive by Standard & Poor's
- Acquired M&N Plastics to expand vertical integration capabilities in E-Systems
- Recognized as a finalist for an Automotive News PACE award and two PACE Pilot awards

"Despite multiple challenges, including component shortages impacting industry production, the Lear team delivered strong financial results in the first quarter," said Ray Scott, Lear's President and Chief Executive Officer. "Our leadership position in operational excellence is driving new business wins and significant growth over market in Seating and E-Systems. We continue to invest in innovation and technology to further strengthen our competitive position. As we execute our strategy, Lear is poised to benefit from a growing industry, to increase market share and earnings in both business segments, and deliver superior returns to our shareholders."

First Quarter Financial Results

(in millions, except per share amounts)

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-------------|-------------|
| Reported | | |
| Sales | \$5,354.4 | \$4,457.7 |
| Net income | \$203.7 | \$76.4 |
| Earnings per share | \$3.36 | \$1.26 |
| Adjusted ⁽¹⁾ | | |
| Core operating earnings | \$336.2 | \$204.9 |
| Adjusted net income | \$225.9 | \$124.1 |
| Adjusted earnings per share | \$3.73 | \$2.05 |

In the first quarter, global vehicle production increased by 14% compared to a year ago, with China up 80%, Europe flat and North America down 4%. Global production increased on a Lear sales-weighted basis⁽²⁾ by approximately 6%.

Sales in the first quarter increased 20% to \$5.4 billion. Excluding the impact of foreign exchange, commodities and acquisitions, sales were up 15%, reflecting increased production on key Lear platforms and the addition of new business. Sales growth over market for the first quarter was 9 percentage points, driven primarily by the favorable platform mix in Seating and the impact of new business in E-Systems.

Core operating earnings were \$336 million, or 6.3% of sales, compared to \$205 million, or 4.6% of sales, in 2020. The increase in earnings resulted from favorable platform mix and the addition of new business. Both of our business segments had positive operating performance, which was partially offset by premium costs related to component shortages and increased commodity costs. In the Seating segment, margins and adjusted margins were 7.3% and 7.7% of sales, respectively. In the E-Systems segment, margins and adjusted margins were 6.6% and 7.0% of sales, respectively.

Earnings per share were \$3.36. Adjusted earnings per share were \$3.73, up from \$2.05 in 2020, primarily reflecting higher operating earnings.

In the first quarter of 2021, net cash provided by operating activities was \$248 million, and free cash flow⁽¹⁾ was \$135 million.

(1) For more information regarding our non-GAAP financial measures, see "Non-GAAP Financial Information" below.

(2) The production change on a Lear sales-weighted basis is calculated using Lear's prior year regional sales mix and first quarter fiscal calendar. Management believes this provides a more meaningful comparison of the Company's global revenue growth relative to global vehicle production.

2021 Financial Outlook

Below is our updated 2021 financial outlook, which reflects the semiconductor and other component shortages impacting the industry. These impacts are expected to continue in the second quarter, and to a lesser extent, in the second half of the year.

| | <u>Full Year 2021 Outlook</u> |
|-------------------------|--------------------------------------|
| Net Sales | \$20,350 - \$21,150 million |
| Core Operating Earnings | \$1,140 - \$1,310 million |
| Adjusted EBITDA | \$1,700 - \$1,870 million |
| Restructuring Costs | ≈\$100 million |
| Capital Spending | ≈\$625 million |
| Free Cash Flow | \$550 - \$700 million |

The industry volume assumptions underlying Lear's 2021 financial outlook are derived from several sources, including internal estimates, customer production schedules, and the most recent IHS production estimates for Lear's vehicle platforms.

The financial outlook is based on a full year average exchange rate of \$1.20/Euro and 6.55 RMB/\$.

Certain of the forward-looking financial measures above are provided on a non-GAAP basis. The Company does not provide a reconciliation of such forward-looking measures to the most directly comparable financial measures calculated and presented in accordance with GAAP because to do so would be potentially misleading and not practical given the difficulty of projecting event driven transactional and other non-core operating items in any future period. The magnitude of these items, however, may be significant.

First Quarter 2021 Conference Call and Webcast Information

A conference call and webcast will be held to discuss Lear's first quarter 2021 financial results and related matters on May 7, 2021, at 8:30 a.m. EDT. The webcast link for the conference call will be available through Lear's investor relations webpage at ir.lear.com. In addition, the conference call can be accessed by dialing 1-877-883-0383 (domestic) or 1-412-902-6506 (international) with Conference I.D. 1813749. The webcast replay will be available two hours following the call.

Non-GAAP Financial Information

In addition to the results reported in accordance with accounting principles generally accepted in the United States (GAAP) included throughout this press release, the Company has provided information regarding "pretax income before equity income, interest, other expense, restructuring costs and other special items" (core operating earnings or adjusted segment earnings), "pretax income before equity income, interest, other expense, depreciation expense, amortization of intangible assets, restructuring costs and other special items" (adjusted EBITDA), "adjusted net income attributable to Lear" (adjusted net income), "adjusted diluted net income per share available to Lear common stockholders" (adjusted earnings per share) and "free cash flow" (each, a non-GAAP financial measure). Other expense includes, among other things, non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, gains and losses on the consolidation and deconsolidation of affiliates and the non-service cost components of net periodic benefit cost. Adjusted net income represents net income attributable to Lear adjusted for restructuring costs and other special items, including the tax effect thereon. Adjusted earnings per share represents diluted net income per share available to Lear common stockholders adjusted for the redeemable noncontrolling interest adjustment, restructuring costs and other special items, including the tax effect thereon. Free cash flow represents net cash provided by operating activities less capital expenditures.

Management believes the non-GAAP financial measures used in this press release are useful to both management and investors in their analysis of the Company's financial position and results of operations. In particular, management believes that core operating earnings, adjusted EBITDA, adjusted net income and adjusted earnings per share are useful measures in assessing the Company's financial performance by excluding certain items that are not indicative of the Company's core operating performance or that may obscure trends useful in evaluating the Company's continuing operating activities. Management also believes that these measures provide improved comparability between fiscal periods. Management believes that free cash flow is useful to both management and investors in their analysis of the Company's ability to service and repay its debt. Further, management uses these non-GAAP financial measures for planning and forecasting future periods.

Core operating earnings, adjusted EBITDA, adjusted net income, adjusted earnings per share and free cash flow should not be considered in isolation or as a substitute for net income attributable to Lear, diluted net income per share available to Lear common stockholders, cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as a measure of profitability or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt and, therefore, does not reflect funds available for investment or other discretionary uses. Also, these non-GAAP financial measures, as determined and presented by the Company, may not be comparable to related

or similarly titled measures reported by other companies.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated financial results and liquidity. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates," "forecasts" and similar expressions identify certain of these forward-looking statements. The Company also may provide forward-looking statements in oral statements or other written materials released to the public. All statements contained or incorporated in this press release or in any other public statements that address operating performance, events or developments that the Company expects or anticipates may occur in the future are forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, and its other Securities and Exchange Commission filings. Future operating results will be based on various factors, including actual industry production volumes, the impact of COVID-19 on the Company's business and the global economy, commodity prices, the impact of restructuring actions and the Company's success in implementing its operating strategy.

Information in this press release relies on assumptions in the Company's sales backlog. The Company's sales backlog reflects anticipated net sales from formally awarded new programs less lost and discontinued programs. The Company enters into contracts with its customers to provide production parts generally at the beginning of a vehicle's life cycle. Typically, these contracts do not provide for a specified quantity of production, and many of these contracts may be terminated by the Company's customers at any time. Therefore, these contracts do not represent firm orders.

Further, the calculation of the sales backlog does not reflect customer price reductions on existing or newly awarded programs. The sales backlog may be impacted by various assumptions embedded in the calculation, including vehicle production levels on new programs, foreign exchange rates and the timing of major program launches.

The forward-looking statements in this press release are made as of the date hereof, and the Company does not assume any obligation to update, amend or clarify them to reflect events, new information or circumstances occurring after the date hereof.

About Lear Corporation

Lear, a global automotive technology leader in Seating and E-Systems, enables superior in-vehicle experiences for consumers around the world. Our diverse team of talented employees in 38 countries is driven by a commitment to innovation, operational excellence, and sustainability. Lear is *Making every drive better™* by providing the technology for safer, smarter, and more comfortable journeys. Lear, headquartered in Southfield, Michigan, serves every major automaker in the world and ranks #166 on the Fortune 500. Further information about Lear is available at lear.com, or follow us on Twitter @LearCorporation.

Lear Corporation and Subsidiaries Condensed Consolidated Statements of Income

(Unaudited; in millions, except per share amounts)

| | Three Months Ended | |
|--|---------------------------|--------------------------|
| | April 3, 2021 | April 4, 2020 |
| Net sales | \$ 5,354.4 | \$ 4,457.7 |
| Cost of sales | 4,861.6 | 4,123.5 |
| Selling, general and administrative expenses | 168.9 | 143.7 |
| Amortization of intangible assets | 16.5 | 17.1 |
| Interest expense | 22.3 | 24.4 |
| Other expense, net | <u>6.3</u> | <u>40.5</u> |
| Consolidated income before income taxes and equity in net income of affiliates | 278.8 | 108.5 |
| Income taxes | 58.9 | 26.5 |
| Equity in net income of affiliates | <u>(5.9)</u> | <u>(1.6)</u> |
| Consolidated net income | 225.8 | 83.6 |
| Net income attributable to noncontrolling interests | <u>22.1</u> | <u>7.2</u> |
| Net income attributable to Lear | <u>\$ 203.7</u> | <u>\$ 76.4</u> |
| Diluted net income per share available to Lear common stockholders | <u>\$ 3.36</u> | <u>\$ 1.26</u> |
| Weighted average number of diluted shares outstanding | <u>60.6</u> | <u>60.7</u> |

Lear Corporation and Subsidiaries Condensed Consolidated Balance Sheets

(In millions)

| <u>April 3, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|------------------------------|
|--------------------------|------------------------------|

| | (Unaudited) | (Audited) |
|---------------------------|--------------------|--------------------|
| ASSETS | | |
| Current: | | |
| Cash and cash equivalents | \$ 1,375.4 | \$ 1,306.7 |
| Accounts receivable | 3,441.3 | 3,269.2 |
| Inventories | 1,464.8 | 1,401.1 |
| Other | 759.3 | 799.7 |
| | <u>7,040.8</u> | <u>6,776.7</u> |
| Long-Term: | | |
| PP&E, net | 2,681.1 | 2,736.2 |
| Goodwill | 1,657.7 | 1,655.8 |
| Other | 2,042.9 | 2,029.9 |
| | <u>6,381.7</u> | <u>6,421.9</u> |
| Total Assets | <u>\$ 13,422.5</u> | <u>\$ 13,198.6</u> |

LIABILITIES AND EQUITY

| | | |
|-------------------------------------|--------------------|--------------------|
| Current: | | |
| Accounts payable and drafts | \$ 3,132.7 | \$ 3,141.6 |
| Accrued liabilities | 2,031.1 | 1,920.9 |
| Current portion of long-term debt | 9.5 | 14.2 |
| | <u>5,173.3</u> | <u>5,076.7</u> |
| Long-Term: | | |
| Long-term debt | 2,300.8 | 2,300.3 |
| Other | 1,199.7 | 1,206.7 |
| | <u>3,500.5</u> | <u>3,507.0</u> |
| Equity | <u>4,748.7</u> | <u>4,614.9</u> |
| Total Liabilities and Equity | <u>\$ 13,422.5</u> | <u>\$ 13,198.6</u> |

Lear Corporation and Subsidiaries Consolidated Supplemental Data

(Unaudited; in millions, except content per vehicle and per share amounts)

| | <u>Three Months Ended</u> | |
|-------------------|---------------------------|--------------------------|
| | <u>April 3, 2021</u> | <u>April 4, 2020</u> |
| Net Sales | | |
| North America | \$ 2,011.2 | \$ 1,881.2 |
| Europe and Africa | 2,077.0 | 1,752.6 |
| Asia | 1,085.5 | 676.3 |
| South America | 180.7 | 147.6 |
| Total | <u>\$ 5,354.4</u> | <u>\$ 4,457.7</u> |

| | | |
|---|--------|--------|
| Content per Vehicle ¹ | | |
| North America | \$ 548 | \$ 498 |
| Europe and Africa | \$ 427 | \$ 365 |

| | | |
|---|-----------------|-----------------|
| Free Cash Flow ² | | |
| Net cash provided by operating activities | \$ 247.5 | 222.3 |
| Capital expenditures | (112.9) | (109.1) |
| Free cash flow | <u>\$ 134.6</u> | <u>\$ 113.2</u> |

| | | |
|--------------------------------------|----------|----------|
| Depreciation and Amortization | \$ 140.8 | \$ 130.5 |
|--------------------------------------|----------|----------|

| | | |
|--|------------|------------|
| Diluted Shares Outstanding at end of Quarter ³ | 60,593,630 | 60,207,134 |
|--|------------|------------|

| | | |
|---|----------|----------|
| Estimated Impact of COVID-19 Pandemic ⁴ | | |
| Sales | \$ (670) | \$ (900) |
| Core operating earnings | (170) | (200) |

| | | |
|---|----------|---------|
| Core Operating Earnings ² | | |
| Net income attributable to Lear | \$ 203.7 | \$ 76.4 |
| Interest expense | 22.3 | 24.4 |

| | | |
|---|-----------------|-----------------|
| Other expense, net | 6.3 | 40.5 |
| Income taxes | 58.9 | 26.5 |
| Equity in net income of affiliates | (5.9) | (1.6) |
| Net income attributable to noncontrolling interests | 22.1 | 7.2 |
| Restructuring costs and other special items - | | |
| Costs related to restructuring actions | 24.4 | 34.0 |
| Other | 4.4 | (2.5) |
| Core operating earnings | <u>\$ 336.2</u> | <u>\$ 204.9</u> |

Lear Corporation and Subsidiaries
Consolidated Supplemental Data
(continued)

(Unaudited; in millions, except content per vehicle and per share amounts)

| | <u>Three Months Ended</u> | |
|--|---------------------------|-----------------|
| | <u>April 3,</u> | <u>April 4,</u> |
| | <u>2021</u> | <u>2020</u> |
| <u>Adjusted Net Income Attributable to Lear</u> ² | | |
| Net income attributable to Lear | \$ 203.7 | \$ 76.4 |
| Restructuring costs and other special items - | | |
| Costs related to restructuring actions | 24.4 | 34.0 |
| Loss on extinguishment of debt | — | 21.1 |
| Other | 3.3 | 3.2 |
| Tax impact of special items and other net tax adjustments ⁵ | (5.5) | (10.6) |
| Adjusted net income attributable to Lear | <u>\$ 225.9</u> | <u>\$ 124.1</u> |
| Weighted average number of diluted shares outstanding | <u>60.6</u> | <u>60.7</u> |
| Diluted net income per share available to Lear common stockholders | <u>\$ 3.36</u> | <u>\$ 1.26</u> |
| Adjusted earnings per share | <u>\$ 3.73</u> | <u>\$ 2.05</u> |

¹ Content per Vehicle for 2020 has been updated to reflect actual production levels.

² See "Non-GAAP Financial Information" included in this press release.

³ Calculated using stock price at end of quarter.

⁴ Represents the volume-driven sales reduction, calculated using our pre-COVID sales forecast as a baseline and standard variable margins, and incremental costs, partially offset by our cost reduction actions.

⁵ Represents the tax effect of restructuring costs and other special items, as well as several discrete tax items. The identification of these tax items is judgmental in nature, and their calculation is based on various assumptions and estimates.

Lear Corporation and Subsidiaries
Segment Supplemental Data

(Unaudited; in millions, except margins)

| | <u>Three Months Ended</u> | |
|---|---------------------------|------------------|
| | <u>April 3,</u> | <u>April 4,</u> |
| | <u>2021</u> | <u>2020</u> |
| <u>Adjusted Segment Earnings</u> | | |
| Seating | | |
| Net sales | <u>\$3,996.0</u> | <u>\$3,366.6</u> |
| Segment earnings | \$ 292.0 | \$ 186.1 |
| Costs related to restructuring actions | 14.7 | 13.3 |
| Other | 0.4 | 1.9 |
| Adjusted segment earnings | <u>\$ 307.1</u> | <u>\$ 201.3</u> |

| | | |
|--------------------------|-------------|-------------|
| Adjusted segment margins | <u>7.7%</u> | <u>6.0%</u> |
|--------------------------|-------------|-------------|

E-Systems

| | | |
|-----------|------------------|------------------|
| Net sales | <u>\$1,358.4</u> | <u>\$1,091.1</u> |
|-----------|------------------|------------------|

| | | |
|------------------|---------|---------|
| Segment earnings | \$ 89.3 | \$ 32.4 |
|------------------|---------|---------|

| | | |
|--|-----|------|
| Costs related to restructuring actions | 5.5 | 20.7 |
|--|-----|------|

| | | |
|-------|------------|--------------|
| Other | <u>0.5</u> | <u>(0.4)</u> |
|-------|------------|--------------|

| | | |
|---------------------------|----------------|----------------|
| Adjusted segment earnings | <u>\$ 95.3</u> | <u>\$ 52.7</u> |
|---------------------------|----------------|----------------|

| | | |
|--------------------------|-------------|-------------|
| Adjusted segment margins | <u>7.0%</u> | <u>4.8%</u> |
|--------------------------|-------------|-------------|

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SOURCE Lear Corporation

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